2005|2006
Annual Report

Travel Manitoba

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Message from the Chair and the President and CEO

This has been an exciting, productive and relatively prosperous year for the tourism industry in Manitoba. After years of planning and industry consultation, and with significant input from all facets of the tourism industry across the province, Travel Manitoba officially became a Crown Agency on April 1, 2005.

The collective work of the Minister's Advisory Council on Tourism, tourism sector associations, regional tourism associations and the department of Culture, Heritage and Tourism resulted in a dynamic three-year rolling business plan with ambitious growth targets.

The "new" Travel Manitoba has quickly fostered an entrepreneurial and innovative approach to stimulate the growth and development of tourism in Manitoba. Using research-based and market-driven principles, and guided by three industry advisory committees, we have created a solid foundation that will drive Manitoba's tourism development over the coming years.

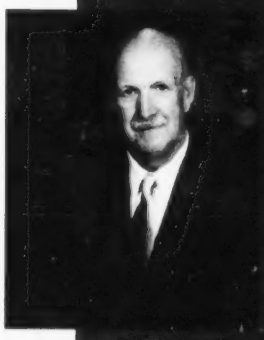
We are particularly proud of our revamped marketing initiatives and the strong industry partnerships that we have established in a fairly short period. Overall we have doubled our revenues from industry investment in our programs from 2004 and our partnerships with Destination Winnipeg and Brandon First have built a strong base for growth in the meetings, conventions and events sector. We also continue to grow our media relations program and have secured a record number of editorial placements in our key travel markets.

It has been a year of new beginnings and every step has taken the commitment and contributions of many. We would like to extend our sincere appreciation to the Board of Directors for their vision in creating our new organization and a long-term strategy.

Thank you also to the volunteers who have shared their talent and time in addressing tourism opportunities and challenges by serving on our Industry Advisory Committees and task forces. And, in a year of change, we also extend a special thank you to our management and staff for their ongoing dedication and contributions.

As we look forward to our second year of operation, we will continue to build our partnership activities and solidify our web-based information and marketing capacity. We will also work closely with industry and community partners on the advancement of new initiatives including the implementation of an events acquisition strategy and planning for a major Homecoming for 2010.

The World Tourism Organization is forecasting continued growth in travel around the world over the next five years. This growth will increase competition and consumer demands for quality products and services. As we move forward, our focus will be on continuing to improve our marketing and promotion strategies, to ensure exceptional visitor experiences and to foster a professional tourism industry.

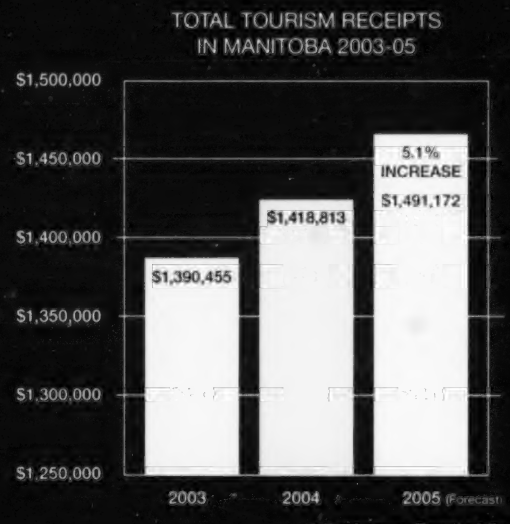


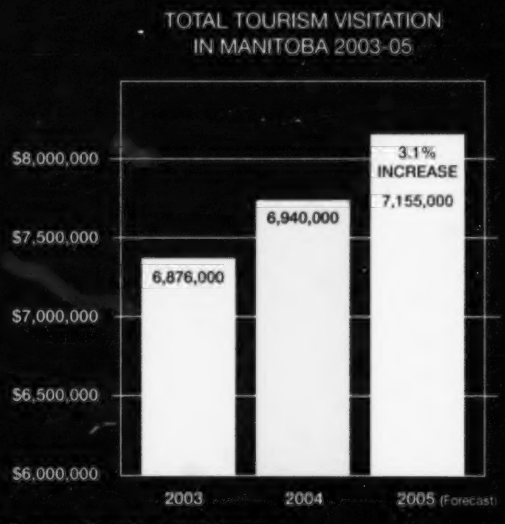
Paul Robson
Chair

Hubert Mesman
President and CEO

Manitoba's Tourism Outlook

A strong tourism industry enhances the overall quality of life for Manitobans by providing a catalyst for community development, stimulating arts, culture and heritage products, creating jobs and focusing efforts on sustainable development.





* Conference Board of Canada; Statistics Canada regional forecasts.

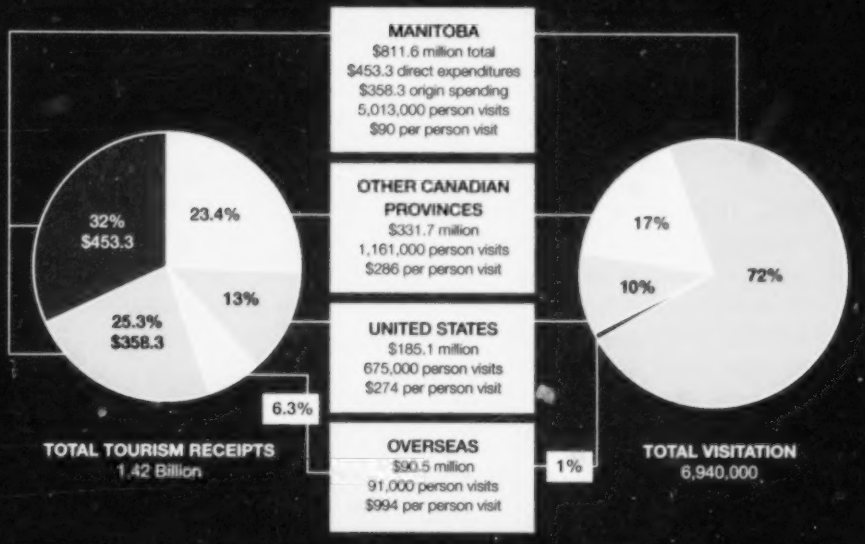
Manitoba's tourism industry is expected to continue on a path of steady expansion. Bolstered by solid growth in domestic business and pleasure travel, overall visits to the province are expected to increase by 3.1 per cent in 2006. Given last year's already solid performance, the gain will lift overall visits to the province above 2002 levels for the first time. Meanwhile, steady gains in travel prices will support spending growth of 4.4 per cent in 2006.

Pleasure travel is forecast to grow by 3.7 per cent in 2006 and 3 per cent in 2007, driven by factors such as higher disposable incomes following federal and provincial tax cuts, as well as a raise in the provincial minimum wage. In addition, a new reservation system at provincial parks is expected to simplify access and provide a boost to provincial campgrounds.

* Canadian Tourism Research Institute – Tourism Economic Impact Model (TEAM) using 2004 tourism expenditure estimates from Statistics Canada's Canadian and International Travel Survey.

Business travel in Manitoba continues to expand at a fervent pace, thanks in part to strong corporate profitability and corporate tax cuts. A strong year for Winnipeg conventions will add more business travellers to the mix. Overall, business travel in Manitoba is expected to grow by 2.8 per cent in 2006 and another 2.5 per cent in 2007.

Manitoba's U.S. market will prove a challenge over the next few years. The U.S. requirement for secure identification at the border will lead to a significant decline in U.S. visitors to the province. U.S. visits to the province are expected to decline by 0.5 per cent in 2006, followed by another decline of 2.1 per cent in 2007.



SOURCE: Statistics Canada – Canadian and International Travel Survey, Research Resolutions – 2004 Detailed Tabulations. Origin Spending: Carrier fares for trips to destinations outside the province by residents of Manitoba.

MANITOBA'S TRAVEL OUTLOOK: OVERNIGHT VISITATION AND EXPENDITURES

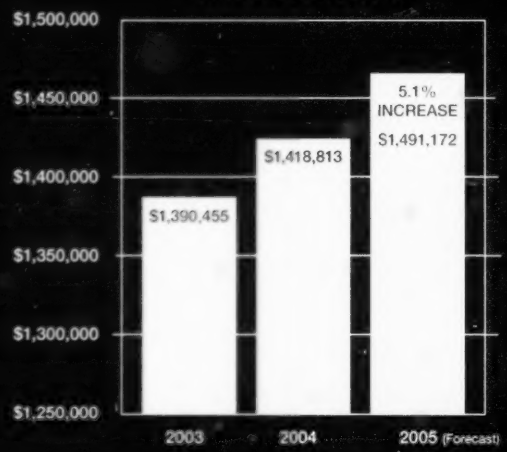
	2004	2005F	2006F	2007F	2008F	2009F
Total trips (000s overnight province visits)	3,385	3,490	3,598	3,702	3,863	3,964
(percentage change)	*3.1*	*3.1*	*3.1*	*2.9*	*4.4*	*2.6*
Domestic	2,961	3,088	3,193	3,299	3,469	3,554
(percentage change)	*2.2*	*4.3*	*3.4*	*3.3*	*5.1*	*2.4*
Business	329	345	355	364	377	385
(percentage change)	*25.1*	*4.9*	*2.8*	*2.5*	*3.7*	*2.1*
Pleasure	1,293	1,351	1,400	1,442	1,517	1,553
(percentage change)	*2.9*	*4.5*	*3.7*	*3.0*	*5.2*	*2.3*
United States	341	316	314	308	295	307
(percentage change)	*6.1*	*-7.5*	*-0.5*	*-2.1*	*-4.2*	*4.1*
Overseas	83	86	91	95	99	103
(percentage change)	*31.0*	*3.8*	*5.5*	*4.4*	*4.3*	*4.4*
Total Expenditures ($ millions overnight)	813	855	892	925	965	1,005
(percentage change)	*12.6*	*5.1*	*4.4*	*3.7*	*4.3*	*4.1*
Travel Price Index *(per cent)*	0.65	2.60	2.11	1.40	1.12	1.12

Sources: The Conference Board of Canada; Statistics Canada, June 2006

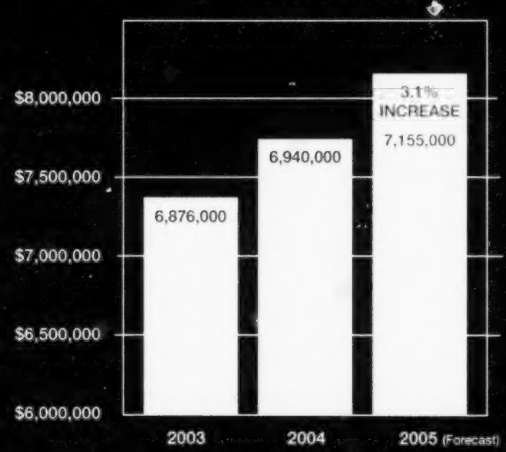
Manitoba's Tourism Outlook

A strong tourism industry enhances the overall quality of life for Manitobans by providing a catalyst for community development, stimulating arts, culture and heritage products, creating jobs and focusing efforts on sustainable development.

TOTAL TOURISM RECEIPTS IN MANITOBA 2003-05



TOTAL TOURISM VISITATION IN MANITOBA 2003-05



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Tourism is Everybody's Business...

Manitoba's tourism industry sustains over 15,900 direct jobs and supports economic development in all regions.*

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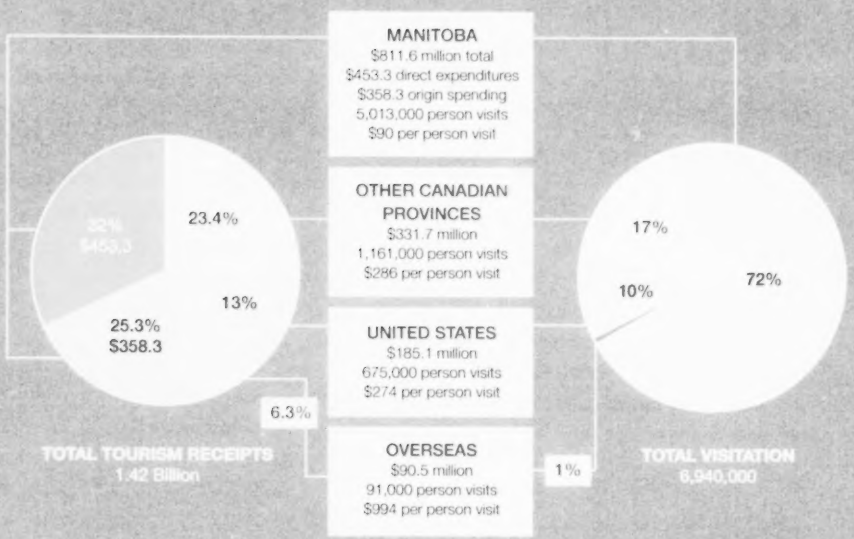

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Sources: The Conference Board of Canada; Statistics Canada, June 2006

Challenges, Trends and Issues

From terrorism and natural disasters to oil price increases and exchange rate fluctuations, the tourism industry is affected by these and many other issues worldwide. Yet the global tourism industry has proven to be very resilient. While the United Nations World Tourism Organization (UNWTO) expects every year to bring new uncertainties and challenges, it projects steady growth for the tourism industry globally.

DECLINING UNITED STATES MARKET

Historically, the U.S. has been Canada's primary market representing over 62% of international visits. Travel to Canada from the United States continues to decline. American visitors represent approximately 10 per cent of Manitoba's total visitation, and 13 per cent of total spending.

HIGH POTENTIAL OVERSEAS MARKETS

United Kingdom, Japan, South Korea, Mexico, Australia, China, Germany and France have been evaluated as having the highest potential for increased performance.

CONSUMER SOURCES OF INFLUENCE

Technology and the internet have enabled consumers to compare, evaluate and purchase travel directly on-line from their homes. In the U.S., over 35 million Americans are making on-line travel purchases annually.

GLOBALIZATION

Interaction beyond international borders is increasing. Tourism is expected to play an important role in global economic development, bringing opportunities and threats to our tourism industry.

SUSTAINABLE TOURISM PRACTICES

Tourism depends on the consumption of natural resources to move, feed and entertain travelers. These factors must be monitored and considered in future planning. Destinations will be increasingly evaluated on their sustainable tourism practices.

INCREASED COMPETITION

Canada and Manitoba face increased competition in international markets and are facing difficulty maintaining a competitive position.

WESTERN HEMISPHERIC TRAVEL INITIATIVE AND BORDER DELAYS

Over 28 million U.S. residents traveled to Canada by car in 2004. Border delays and future documentation requirements for entry and re-entry into the United States are ongoing concerns for the tourism industry.

AIR ACCESS

Following September 11th, air access to Canada was significantly impacted. Airlines struggle to adjust to lower demand levels, capacity reductions were introduced and low cost carriers continue to increase the air travel capacity to competing U.S. destinations.

CONSUMERS SEEK MORE FREQUENT, SHORTER VACATIONS

Time for leisure activities is limited and this emphasizes the need for convenience and ease when making travel purchases.

FOREIGN EXCHANGE VOLATILITY

Fluctuations in foreign exchange have a significant impact on tourism demand in both the domestic and international markets.

PRODUCT DEVELOPMENT

Marketing alone will not sustain visitor growth. Manitoba must create and package new tourism products that will generate demand.

Our Mission and Mandate

In order to lead innovative, sustainable tourism growth in Manitoba, Travel Manitoba collaborates closely with the tourism industry and government to attract visitors and to sustain and create jobs in Manitoba.

OUR ROLE IS FOCUSED ON:

- Marketing the province as a desirable tourism destination;
- Providing appropriate visitor and information services;
- Stimulating productivity and development for people and businesses involved in the tourism industry;
- Enhancing the quality and competitiveness of tourism products and services;
- Encouraging and participating in tourism consultations and undertakings with individuals, businesses, agencies and government;
- Enhancing public awareness of tourism; and
- Promoting the training, development and employment of people involved in the tourism industry.

A New Way of Doing Business

With its launch as a Crown Corporation, Travel Manitoba adopted a new business model that is forged around a closer collaboration with private and public tourism partners. Led by industry, market driven, and research based, this new way of doing business is focused on ensuring there is a shared investment in tourism by both the public and private sector.

New priorities have emerged as Travel Manitoba works towards its goal of increasing tourism's contribution to the provincial economy by 21% by 2008. This represents an ambitious tourism revenue goal of $1.7 billion from the current level of $1.4 billion. To meet these goals, the business plan has been framed around:

PRIORITY (1) PROMOTING MANITOBA AS A YEAR ROUND TOURISM DESTINATION

PRIORITY (2) ENSURING EXCEPTIONAL VISITOR EXPERIENCES

PRIORITY (3) FOSTERING A PROFESSIONAL TOURISM INDUSTRY

Travel Manitoba has also taken a new approach to its marketing efforts, with a shift towards marketing experiential clusters, as opposed to marketing by geographic region. These clusters form the foundation for Travel Manitoba's marketing initiatives.

- Leisure/Touring
- Culture and Heritage
- Fishing and Hunting
- Adventure Travel and Ecotourism
- Meetings, Conventions and Events
- Emerging Experiences

"Travelers expect high levels of service and quality. Manitoba must offer a consistent standard of quality and service. Labour market issues like turnover, career advancement, and skill development limit the industry's ability to provide a consistent product. These issues must be addressed in order to build a sustainable and viable industry. Travel Manitoba and the Manitoba Tourism Education Council are working toward this."

Bev Shuttleworth, *Executive Director*
Manitoba Tourism Education Council (MTEC)
Industry Quality and Competitiveness Advisory Committee member

Collaboration and Partnership

In 2005/06, Travel Manitoba focused its attention on collaborating more closely with the industry at all levels and creating a stronger momentum by working together on partnership initiatives. The partnerships have been diverse and have yielded exciting results across the tourism sector.

This past year, the corporation delivered its Manitoba Getaways campaign and collaborated with more than 100 businesses and organizations. More than $224,000 in new investment was generated to expand the reach of the campaign.

The 2005 campaign paved the way for the roll-out of the new 2006 Unforgettable Manitoba marketing campaign with innovative and inclusive ways for industry partners to participate. Industry partners were able to be involved in a variety of Travel Manitoba marketing initiatives with the purchase of an "all inclusive" partnership package, or, select individual opportunities on an "a la carte" basis. This innovative program allowed partners with varying budgets to participate.

New partners, such as CAA Manitoba, also came on board. Over $400,000 was generated through these marketing partnerships and levered sponsor dollars. This represents more than double the industry investment over the previous year.

Close to 100 tourism businesses invested more than $200,000 to purchase advertising space in the 2006 Unforgettable Manitoba publications to promote their products. In addition to advertising opportunities, Travel Manitoba's roster of annual publications - the Vacation Guide, Accommodations & Campgrounds Guide, Fishing & Hunting Adventures Guide and Great Outdoor Adventure Guide provide industry members with business listings at no charge.

Recognizing that marketing alone will not sustain visitor growth, Travel Manitoba places a priority on creating and packaging new tourism products that will generate demand.

In November 2005, Travel Manitoba in partnership with Destination Winnipeg, hosted a Packaging Workshop with Joe Veneto - "The Opportunity Guy". More than 130 industry participants took part in the workshop and spent the day creating sixteen packages that were ready for market in 2006. A second industry event that focused on creating winter packages was held in June 2006.

Destination Winnipeg and Travel Manitoba have established a strong working relationship that clearly defines the role of each organization, eliminates duplication and provides a framework for delivering a true provincial tourism strategy.

Destination Winnipeg leads efforts in:
- Meetings and Conventions
- Sports and Special Events
- Travel Trade marketing in Primary Access Travel Markets
- Media Relations – Winnipeg
- Visitor Services at Winnipeg International Airport and downtown Winnipeg

Travel Manitoba is the lead organization in:
- Primary Access Leisure Markets
- Outdoor Markets
- Research
- Media Relations – provincial
- International Travel Trade
- Regional Marketing and Product Development (Industry Liaison)
- Visitor Services at border crossings and at The Forks, Winnipeg
- Meetings, Conventions and Events – outside Winnipeg

In its marketing efforts, Destination Winnipeg's emphasis is on an integrated promotion of the city, regardless of market and sector; Travel Manitoba's emphasis is on marketing five key "experiential clusters" in the Manitoba market, Primary Access Travel Areas and in international markets.

Executive and staff of the two organizations will continue to meet regularly and work cooperatively to ensure the alignment of strategic objectives and industry initiatives.

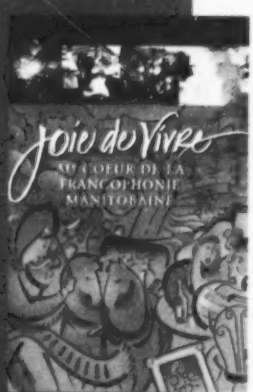
Travel Manitoba supports the development and promotion of Aboriginal cultural products. This past year, a new Aboriginal tourism package for each of the experiential clusters was developed. These new packages will be featured in the 2006/07 marketing program to attract visitors from neighbouring provinces and the United States.

As the policy liaison with the provincial government on tourism issues, the Tourism Secretariat works across government departments to achieve Travel Manitoba's goals. Travel Manitoba and the Tourism Secretariat have partnered with communities and individuals to develop an Aboriginal Tourism Strategy in order to increase Aboriginal participation in the tourism industry and to enhance the Aboriginal tourism product.

The strategy focuses primarily on three areas:

- Developing product around specific clusters in which Aboriginal economic activity and critical mass/population already exist;
- Job and entrepreneurial training and education;
- Marketing the Aboriginal tourism product in Canada and overseas.

In the coming years, this strategy will guide Aboriginal tourism development in a way that ensures modern mainstream tourism business practices are incorporated along with Aboriginal culture and community goals.



Travel Manitoba works with the Conseil de développement économique des municipalités bilingues du Manitoba (CDEM) to build capacity and visitation to Francophone communities in Manitoba.

This past year, Travel Manitoba partnered with CDEM to co-host five tour operators from France on a Manitoba familiarization trip in February. These tour operators are now promoting Manitoba travel packages in Europe.

Travel Manitoba also supported Francophone tourism with the production and distribution of the Joie de Vivre lure brochure and the marketing of Lower Fort Garry, in coordination with Parks Canada.

Travel Manitoba established the Rural Regional Tourism Initiative (RRTI) Task Force as a proactive way of clarifying roles and eliminating duplication of effort with Manitoba's seven Regional Tourism Associations (RTAs).

To date, the Task Force has:

- Reviewed the best practices of working relationships and roles of similar organizations in other jurisdictions and in other sectors;
- Examined the existing relationship between the RTAs and Travel Manitoba and associated strengths and challenges;
- Examined potential roles in delivering strategic objectives and identified partnership opportunities;

As the Task Force moves forward, it will provide recommendations that will define a working relationship and how it may best be implemented.

Travel Manitoba places emphasis on the development of northern tourism experiences based on natural and cultural assets. This past year the corporation collaborated with stakeholders in Churchill to create a tourism development strategy. The strategy identifies four strategic priorities, including:

Improving Accessibility:
Increasing the frequency, time and cost of access from major markets;

Conducting Effective Destination Marketing:
Developing consistent, creative and cooperative destination marketing that supports core products, offers packages for international markets, expands the visitor experience and grows the tourism destination;

Providing A Quality Visitor Experience:
Improving the overall quality of the visitor experience;

Creating A Four-Season Destination:
Expanding the range of tourism destination experiences across all four seasons and providing market-ready products and packaging for national and international markets.

Wilderness lodges in northern Manitoba are home to some of North America's best fishing, hunting, wildlife viewing and other nature-based experiences and are a significant employer of northern Aboriginal residents. Travel Manitoba showcases these destinations through a variety of media relations, travel trade and consumer shows in both domestic and international markets and plays an active role in encouraging product development and packaging with other operators for northern lights and wildlife viewing, bird watching, and other wilderness experiences.

Fostering a Professional Tourism Industry

In partnership with the Manitoba Tourism Education Council (MTEC) and Discover Manitoba, Travel Manitoba hosted the industry-wide *Unforgettable Manitoba* Tourism Conference.

More than 110 participants enjoyed opportunities to listen, to learn and to celebrate alongside keynote speakers Joyce and Uchenna Agu, the winning team from the 7th season of the CBS hit reality show *The Amazing Race*.

Taking a cue from *The Amazing Race* and dispensing with conference tradition, delegates set out on a series of 11 mobile workshops each of which introduced participants to a new potential Manitoba travel offering.

Recognizing and Promoting Excellence in Tourism

As part of the *Unforgettable Manitoba* Tourism Conference, Travel Manitoba, MTEC, and the Manitoba Hotel Association hosted the Manitoba Tourism Awards Gala saluting exceptional individuals and organizations in the tourism industry.

With more than 250 in attendance, 47 individuals, businesses and organizations were honoured for their exceptional service and commitment to quality. Based on input from the Industry Quality and Competitiveness Advisory Committee, two new award categories recognizing youth and sustainable tourism were added.

Travel Manitoba, the lead partner in hosting the conference and awards gala leveraged over $17,000 in sponsorships and additional in-kind contributions which supported the mobile workshops.

Supporting the Development of Tourism Professionals

Travel Manitoba is an active partner with MTEC, Red River College, St. Boniface College, University of Manitoba and the Aboriginal Public Administration Program and works to motivate, mentor and provide training and employment opportunities for youth interested in career paths in the tourism industry.

Travel Manitoba's Chairman, Paul Robson, togethrer with Joyce and Uchenna Agu of *The Amazing Race* and Manitoba's Culture, Heritage and Tourism Minister, Eric Robinson.

Marketing and Product Development of Five Key Experiential Clusters

Given the emergence of experiential travel as a primary motivator for travel, Travel Manitoba structured its marketing plan around the promotion of the following five priority experiential clusters:

1. Leisure

In 2005, Travel Manitoba launched its Great Manitoba Getaways leisure campaign in the Primary Access Travel Area markets of Saskatchewan, northwest Ontario, Minnesota and North Dakota using outdoor billboards, newspaper advertising, unaddressed admail postcards, and addressed mailings of a partnered brochure.

Here at home, partnerships with CTV and the Winnipeg Free Press were used to promote contests and the Travel Values Guide. Travel Manitoba brought a new partner on board, Canada Post, to distribute the Guide.

Travel Manitoba staff attended nine consumer shows in Thunder Bay, Fargo, Regina and Minneapolis. Thirty-five industry partners showcased Manitoba, distributing over 5,000 brochures to potential visitors.

The Great Manitoba Getaways campaign generated over 2,800 inquiries from target markets in the short and mid-haul U.S. states. A Getaways contest, designed to promote the campaign, drew over 11,000 entries and created a preliminary database of consumers upon which Travel Manitoba will continue to build.

In early 2006, Travel Manitoba conducted a Travel Conversion Study of 2005 inquiries. 1,602 telephone interviews were conducted with previous inquirers in Manitoba, Quebec, other Canadian markets, and 12 primary target U.S. states.

Among other findings, the study indicates that repeat visitation to the province is up from 38% to 43%, and the percentage that are "very likely" to recommend Manitoba to others has increased. Visitors also report high levels of satisfaction and perceived value for money.

Travel Manitoba has initiated a study to measure the impact of its 2006 marketing campaign. The benchmark phase of this study was carried out before the launch of the campaign in order to establish a baseline measure of awareness and perceptions of Manitoba. The tracking phase of the study will measure awareness levels, aided and unaided recall of campaign elements, trip intentions and trip planning characteristics from a sampling of respondents in five core markets: Manitoba, urban Saskatchewan, urban northwest Ontario, Minneapolis/ St. Paul and urban North Dakota.

2. Culture and Heritage

In the fall of 2005, eight newly created packages were showcased in a free standing insert ("Let us Entertain You") and accompanying advertising campaign which included direct mail, magazine advertising, a unique micro-website, and attendance at consumer shows in Thunder Bay and Fargo.

This past year, Travel Manitoba provided professional resources to assist Culture and Heritage tourism operators in furthering tourism goals. These included:

Providing consulting expertise to Special Themes Museums in developing product and marketing plans;

Hosting a familiarization tour of Lower Fort Garry for front line personnel;

Developing standardized exit surveys to assist attractions such as the Special Themes Museums and the Royal Winnipeg Ballet to evaluate the effectiveness of their marketing activities and gather data on customer profiles.

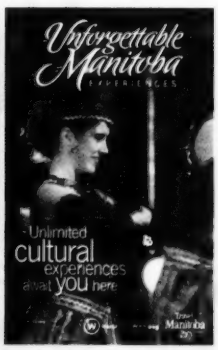
As a result of the 2005 marketing campaign, 365 Culture and Heritage packages were sold, up from 70 packages sold in 2004.

Editorial coverage on Manitoba's Culture and Heritage products also increased substantially from $867,000 in 2004 to $1.6 million in 2005.

The cumulative impact of Travel Manitoba's efforts can be seen in the results of the recent Conversion Study conducted for Travel Manitoba. Culture and heritage tourism, cited as the "main purpose of a trip to Manitoba" increased from 1% of surveyed respondents in 2004 to 12% in 2005.

Of those surveyed, 32% cited culture and heritage as one of their main activities while in Manitoba. Culture and heritage was the top ranking "main" activity for visitors surveyed.

At the second phase of the packaging workshop in June, 2006, emphasis was placed on creating packages for the winter season.



3. *Fishing and Hunting*

Manitoba is internationally renowned for its fishing and hunting experiences. A variety of packages – from "drive-in" to "remote fly-in" are marketed to appeal to a wide range of potential visitors in Canada, the United States and overseas.

Travel Manitoba continued to administer the Master Angler program which encourages domestic and international sport anglers to visit Manitoba's lakes and rivers. The Master Angler program recognizes anglers for their catches in 30 species with certificates and badges that identify them as "Master Anglers" at the Bronze level. Anglers also have the potential to achieve recognition as Specialist or at the Silver and Gold levels of participation.

85,000 Fishing & Hunting Adventure Guides were produced for distribution in response to inquiries and at select marketplaces.

Working in partnership with the Manitoba Lodges & Outfitters Association, Travel Manitoba's fishing campaign targeted the North Central zone of the United States and emerging growth markets in Texas. Key elements of the campaign included advertising in magazines such as *In-Fisherman* and *North American Fisherman*, participation in card-deck mailings and attendance at five consumer sport and vacation shows.

400,000 copies of the Unforgettable Fishing free standing insert were distributed in newspapers in key centres in North Dakota, Minnesota, Ontario and Saskatchewan.

As a result of the Media Relations program, fishing experiences were featured by international media such as *Field & Stream*, WDAZ-TV, and mikejacksonoutdoors.com.

Last year over 11,300 Master Angler certificates were awarded to new and returning anglers. Through the Li'l Angler program, young people under the age of 12 are introduced to the program and receive a level of recognition as well. Many of these L'il Anglers graduate to the Master Angler program.

Recognized as one of the longest running and most established angler recognition programs in North America, the Master Angler program is an important component of Travel Manitoba's promotion of sport fishing.

This year, Travel Manitoba will expand its contact with Master Anglers to determine their interest in a variety of areas in order to develop and implement future direct marketing and customer relationship management programs.

Based on the results of professionally conducted focus group testing, Travel Manitoba has learned more about the trip characteristics of Master Anglers and the impact of the program on repeat visitation, as well as the potential for revenue generation and program growth through the development of Master Angler merchandise.

This information will be used to refine program strategies for 2006/07.

4. *Adventure Travel & Ecotourism*

There is increasing interest in travel experiences focused on outdoor adventure and nature-based activities that include elements of environmental conservation and sustainability. Research indicates key opportunities for growth in the Adventure Travel & Ecotourism (ATE) market for Manitoba include wildlife viewing, bird watching, hiking, canoeing/kayaking and winter adventure.

Key components of Travel Manitoba's ATE strategy include:

- Creation of the infrastructure to support the development of new wildlife viewing packages;
- Training to address the growing demand for guided experiences;
- Linking efforts to the Aboriginal Tourism Strategy;

In 2005/06, Travel Manitoba published a completely re-vamped Outdoor Adventure Guide which highlights the diversity of Manitoba's birding and wildlife attractions and outdoor adventure activities. This new guide is a showcase of key sites throughout the province and includes suggested itineraries and a listing of adventure company operators.

ATE Familiarization tours in 2005 included hosting nine tour operators from the Netherlands, and seven "Canada Specialist" tour operators/ travel agents from Germany.

Special promotions included a Nature Rangers promotion with German visitors.

Advertising in targeted publications such as *Audobon, Hooked on Outdoors, National Geographic Adventure, Canadian Geographic, National Wildlife, Sierra, Smithsonian, and USA Weekend Travel* were used to promote Manitoba's outdoor adventure offerings in national and international markets.

In addition, Travel Manitoba attended ATE marketplaces and consumer shows such as the Adventure Travel Expo in New York (January 2006) and in Washington (February 2006).

The new Outdoor Adventure Guide provided ATE oriented operators with a new vehicle for advertising, and saw the participation of new partners such as Zoom Airlines, which frequently services visitors from the United Kingdom.

Manitoba's outdoor product has long been a strong draw for international media, and 2005 was no exception. Travel Manitoba hosted 47 media tours in 2005, including a German beluga whale tour, a Japanese film crew, and a tour from the British Broadcasting Corporation.

Going forward, Travel Manitoba will continue to develop Adventure Travel & Ecotourism opportunities by focusing primarily on:

- Building on Manitoba's world recognition as a destination for polar bear and beluga whale viewing;
- Working in partnership with tour operators to develop packages featuring birdwatching and wildlife viewing at nine signature sites throughout the province;
- Exploring opportunities to target the growing youth market for adventure travel.

5. Meetings, Conventions and Events

Travel Manitoba works in close collaboration with Destination Winnipeg and Brandon First to target and attract meetings, conventions and special events. Last year, Travel Manitoba partnered on co-op advertising to support Team Winnipeg initiatives.

Travel Manitoba also shares in the cost of producing a Meetings and Conventions Guide with Destination Winnipeg – a valuable tool that helps to influence meeting, convention and event planners.

This past year, Travel Manitoba supported the marketing initiatives of Brandon First such as familiarization tours, advertising and public relations. Brandon First is a destination-marketing consortium that drives a coordinated community approach to the hosting of events and group business. Additional efforts are underway to continue to increase the profile of Brandon as a host destination for events, meetings and conventions.

Brandon First

destinationWinnipeg

Manitoba played host to at least 12 national and international special events with a minimum of 1,000 participant days in 2005. Collectively, this represents many thousands of visitors and an economic impact in excess of $15 million.

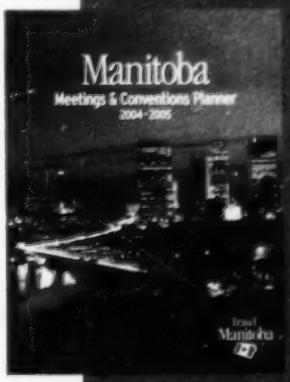
Some of the major conventions in 2005 included:

- Canadian Association of Agri-Retailers
- JUNO Awards
- National Research Forum for Young Investigators in Circulatory and Respiratory Health
- Purchasing Management Association of Manitoba
- Jeux de la francophonie canadienne
- Canadian Union of Public Employees
- Canadian Association of Broadcasters

The rights to host the 2006 Cuisine Canada National Culinary Conference and the 2007 Women's World Hockey Championships have also been secured.

It is anticipated that the Women's World Hockey Championship alone will deliver more than $7,000,000 dollars in economic benefit to the province.

To further capitalize on the opportunities that meetings, conventions and events present, Travel Manitoba, Destination Winnipeg, Sport Manitoba, the Province of Manitoba and the City of Winnipeg are working together on a strategic, proactive approach to attract national and international sporting, arts and other special events to Manitoba. Together, the goal is to generate more than $100 million in economic impact on Manitoba's gross domestic product over the next decade.



Leading Through Innovation in Research and Information Technology

In June 2005, Travel Manitoba launched a new Tourism Information Management System (TIMS) – an integrated database system designed to manage incoming information requests for travel information from multiple channels (phone, in-person, internet, email, fax and mail).

TIMS provides a contemporary platform to carry out fulfillment services. In addition to providing inventory and order tracking, the TIMS application expands its data handling capacity to include:

Tourism product information:

- For web/publication development
- To strengthen customer service assistance
- To track customer interest, based on product data

Customer profiling:

- Web activity analysis
- All interaction with Travel Manitoba is tracked and added to the profile
- Customized information packages, web pages, direct marketing campaigns

Web/publication development tools:

- Templates for dynamic page creation on the web
- Product data reports to meet printer specifications for creation of printed materials
- Editors for "on the fly" updates to product data and immediate web updates

The launch of TIMS has allowed Travel Manitoba to bring all of its existing databases and business activities under one database umbrella, allowing for enhanced information storage and operational efficiencies.

TIMS allows Travel Manitoba to extract and manipulate information related to each of the experiential clusters and capitalize on that knowledge in its future marketing initiatives.

Web Marketing

As more consumers turn to the internet for information, Travel Manitoba is capitalizing on the opportunities this presents by expanding its web-based marketing techniques.

In 2005, visits to the Travel Manitoba website exceeded 948,000 with an average visit of more than 10 minutes.

This year, re-development of the consumer website was undertaken. Improvements completed in Phase 1 of the re-development included:

- Incorporation of the new "Unforgettable Manitoba" creative;
- Creation of microsites linking operators' advertisements from the free standing insert programs to their own sites. The microsites facilitate direct contact with consumers and allow operators to convert inquiries into sales. The microsites also provide Travel Manitoba with the ability to capture visitor information and gauge response to the campaigns;
- Travel Values registration process, contest entry and linkage to sites of industry operators involved in the contest program;
- Launch of a Travel Media section, to prompt and facilitate story and image creation by travel media.

Future initiatives in Travel Manitoba's Web Development strategy will be centered around four main objectives:

- Continuing to build a strong website that links tourism businesses with the capacity to close the sale;
- Implementing measurable e-marketing initiatives that drive traffic to the website;
- Encouraging and educating stakeholders in the building of capacity through the web;
- Improving Customer Relationship Management.

Providing Information to the Industry

To facilitate ongoing communication with the industry, Travel Manitoba shares industry happenings through its Tourism Industry News email. The number of subscribers to the daily email has grown from its original staff distribution to over 600 subscribers from coast-to-coast. More than 900 industry members are now registered to access Travel Manitoba's Tourism Industry website.

Building towards the objective of encouraging and educating industry stakeholders to develop capacity through the web, Travel Manitoba plans to research industry capacity, document best practices, and host a Web Marketing Forum that will look at web trends and opportunities, as well as provide industry participants with hands-on learning in website development, search engine optimization and e-marketing.

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Research

To stay abreast of emerging issues, increase awareness of marketplace trends and maintain pace with new research tools and techniques, Travel Manitoba participated in national research and strategy forums such as:

Travel & Trade Research Association Canadian Chapter Conference and AGM

Travel & Trade Research Association

Canadian Tourism Commission (CTC) U.S. Leisure Strategy session

CTC Canada Brand feedback session

CTC Research Committee's Provincial/Territorial Research Working Group

Premier's Economic Advisory Council's Brand Manitoba initiative.

Travel Manitoba actively monitors tourism activity and forecasts through Canadian Travel Surveys (CTS), International Travel Surveys (ITS) and Conference Board of Canada reports, and provides quarterly reports to industry on our Tourism Industry website.

In the past year, Travel Manitoba initiated a market analysis of the Winter Tourism sector, and a research study relating to its Master Angler program, to support product and market development in these areas.

In response to proposed changes to the passport requirement for travelers entering or returning to the U.S., Travel Manitoba also participated in a stakeholders' passport coalition and helped draft Manitoba's response to the U.S. Western Hemispheric Travel Initiative. Travel Manitoba continues to be an active stakeholder in discussions surrounding this initiative.

Manitoba
spirited energy

Enhancing the Return on Investment of Media Relations

The Media Relations program supports Travel Manitoba's core mandate of stimulating innovative, sustainable tourism growth in Manitoba. Since 2002, Travel Manitoba's media coverage has increased over 200%, based on an investment of $200,000 annually.

This past year, Travel Manitoba hosted 96 individual media tours and six group tours. Editorial coverage from the Media Tour program alone was valued at $2.3 million.

As a result of media relations activities in 2005/2006, Manitoba tourism stories were featured in publications that included, among others:

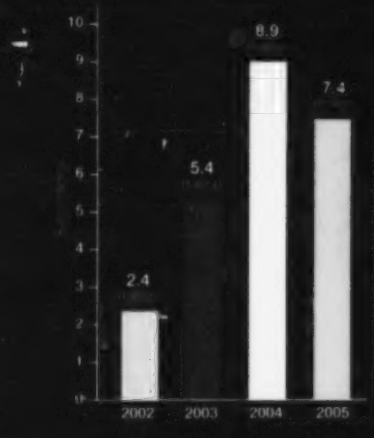
USA Today
Minneapolis Star Tribune
National Geographic
Explore
The Sunday Times (UK)
The Sydney Morning Herald (Australia)
Denver Post
Boston Herald
Los Angeles Times
New York Daily News
Outdoor Life
Minnesota Monthly
Lufthansa Magazine
Calgary Herald

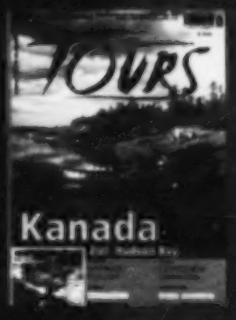
Travel Manitoba regularly attends media relations events to meet with editors and writers of publications, including Canada Media Marketplace and Go Media Canada Inc. This past year, Travel Manitoba also attended Canadian partner media events in Seattle and Denver.

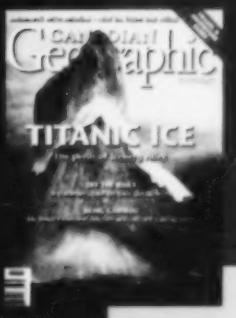
In the key overseas markets of the United Kingdom, Germany and Japan, Manitoba is well known as the "Polar Bear Capital of the World". Travel Manitoba's Media Relations program, which hosts viewing tours of Beluga whales, polar bears and other wildlife, strengthens the province's recognition in international markets.

Future goals of the Media Relations program include expanding the range of products and attractions featured in national and international media coverage.

MEDIA COVERAGE OF MANITOBA







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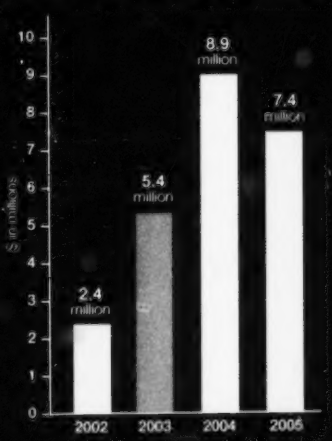

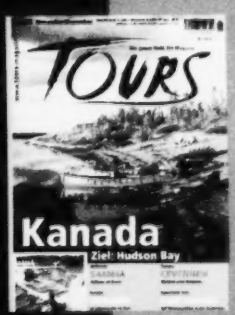

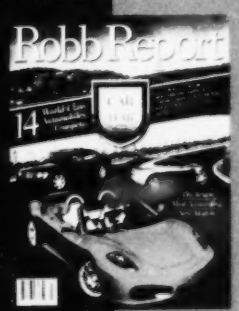

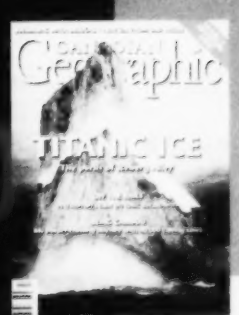

Building Relationships with the Travel Trade

Working in partnership with Destination Winnipeg, Travel Manitoba is actively building relationships with the travel trade in the United States. Last year, staff promoted Group and FIT (Fully Independent Traveler) itineraries at key marketplaces including the American Bus Association, National Tour Association and Bank Travel.

Travel Manitoba also connects with the travel trade in international markets through its attendance at trade shows including Rendezvous Canada, ITB Berlin, Spotlight and World Travel Market in London, England, and Kanata in Japan.

In addition, Travel Manitoba retains Marketing Services International in Germany to promote Manitoba as a tourism destination in Germany, Austria and Switzerland. The company's major responsibility is to develop, implement, maintain, monitor and evaluate a Tourism Marketing Plan for Manitoba in these key international markets.

Providing Quality Visitor Services

Travel Manitoba operates travel information centres at six key locations around the province, four seasonal centres at inter-provincial border entry points, and two year round centres in Emerson, Manitoba (the U.S. entry point to Canada on Highway 75) and the Explore Manitoba Centre at The Forks in Winnipeg. Travel Counselors distribute industry operators' brochures, promote events, attractions and sites, and provide general travel information such as highway maps, exchange rates, tax rebate programs for international visitors, and hunting and fishing regulations at no charge.

In 2005, Travel Manitoba counselors:

- responded to over 240,000 walk-in visitors;
- provided travel counseling sessions to an additional 58,000 visitors;
- responded to 40% more visitor inquiries at the Explore Manitoba Centre at The Forks as of March 2006 as compared to the same period in the previous year.

A recent study showed that the impact of the Visitor Information Kit provided, on request, by Travel Manitoba increased the interest of inquirers in coming to Manitoba by 70%. Overall, 87% of visitors rated the usefulness of Travel Manitoba information in planning their trip to Manitoba as Very Useful or Quite Useful.

Other highlights this past year included:

- The implementation of the new Tourism Information Management System that improves customer service and provides increased database sophistication;
- Upgraded technology at some of the Visitor Service Centres which allows for improved service to visitors;
- Increased efficiencies in our Distribution Centre operations so that information requests can be fulfilled quickly and accurately.

Recognizing that today's travelers expect high levels of service and quality Travel Manitoba will develop a third Industry Task Force to identify opportunities for operational efficiencies and improvements.

Developing and Maintaining Corporate Services

Travel Manitoba's Corporate Services division manages the key functions of Human Resources, Research, Financial Administration and Corporate Information Technology. In recognition of the value of its employees, Travel Manitoba has embraced the key elements of the "Employer of Choice" program, beginning with the creation of an Employee Initiative Advisory Committee. This committee ensures that Travel Manitoba builds an environment of trust and inclusiveness by developing a strong and effective link between management and staff.

This past year, the corporation developed its own state-of-the-art, in-house financial system. Through improved financial processes, the corporation is now able to provide timely, customized financial reports which ultimately lead to operational efficiencies and greater accountability.

Another highlight of the year was beginning the process of digitizing and cataloguing Travel Manitoba's extensive audio visual slide library. With more than 18,000 slides, this work is expected to be completed next year.

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Travel Manitoba's Board of Directors

Paul Robson, Chair
Chief Executive Officer
Red River Exhibition Association

Max Johnson, Vice Chair
President and CEO
The Great Canadian Travel Company Ltd.

Pat Andrew
Promotions Coordinator
Manitoba Government Employees Union

Jim August
Chief Executive Officer
The Forks North Portage Partnership

Curt Enns
Owner/Operator
Kississing Lodge

Michelle Gervais
Owner/Operator
Ô TOURS Inc.

Marina Kulba
General Manager
Organizational Effectiveness
Manitoba Lotteries Corporation

Claudette Leclerc
Executive Director
The Manitoba Museum

Doug Ramsey
Associate Professor
Brandon University

Barry Rempel
President and CEO
Winnipeg Airports Authority

Cindy Skanderberg
Owner/Operator
Spruce Woods Inn

Michael Spence
Mayor
Town of Churchill

Doug Stephen
President
WOW Hospitality

Julie Turenne-Maynard
President
JTM Consulting

William Young
Owner/Operator
Bloodvein River Lodge

Standing (left to right): Michael Spence, Claudette Leclerc, Jim August, Doug Ramsey, Doug Stephen

Seated (left to right): Marina Kulba, Pat Andrew, Paul Robson, Max Johnson, Barry Rempel, Julie Turenne-Maynard

Missing: Curt Enns, Michelle Gervais, Cindy Skanderberg, William Young

Industry Advisory Committee Members

LEISURE INDUSTRY ADVISORY COMMITTEE

Judy Murphy, Chair
Chief Operating Officer, Canada's Royal Winnipeg Ballet

Larry Desrochers
General Director and Chief Executive Officer, Manitoba Opera

Lois MacDonald
Manager, Brandon Tourism; Riverbank Discovery Centre, Brandon

Jim McEachern
Director of Sales and Marketing, The Fairmont Winnipeg

Diane Bruyére
Tourism Coordinator, Conseil de développement économique des municipalités bilingues du Manitoba

David Wass
Director of Revenue, The Great Canadian Travel Company Ltd.

Scot McTaggart
Owner/Operator, Fusion Grill

Michelle Gervais
Owner/Operator, Ô Tours Inc.

Jill Lusty
Manager of Leisure/Group Sales, Destination Winnipeg

OUTDOORS INDUSTRY ADVISORY COMMITTEE

Toni Morberg, Chair
Director of Business Development, Churchill Wild

Barbara Hamilton
President, Falcon Trails Resort Inc.

Carl Wall
President, Manitoba Lodges and Outfitters Association

Gerry Turenne
Owner/Operator, Aikens Lake Wilderness Lodge

Jill Lusty
Manager of Leisure/Group Sales, Destination Winnipeg

Lynda Gunter
Owner/Operator, Frontiers North Adventures

William Young
Owner/Operator, Bloodvein River Lodge

Gary Gurke
Owner/Operator, Neultin Fly-In Lodges

INDUSTRY, QUALITY & COMPETITIVENESS COMMITTEE

Jim Baker, Chair
President, Manitoba Hotel Association

Bev Shuttleworth
Executive Director, Manitoba Tourism Education Council

Celes Davar
President, Earth Rhythms Learning Adventures

Chantal Sturk-Nadeau
Director, Tourism-Meetings, Conventions and Events, Destination Winnipeg

Daniel Lussier
Executive Director, Festival du Voyageur

Don Finkbeiner
Manager, Heartland International Travel & Tours

Doug Ramsey
Associate Professor, Brandon University

Marina Kulba
General Manager, Organizational Effectiveness, Manitoba Lotteries Corporation

Melanie Woodward
Owner/Creative Director, CIAO Event Management

Rob Ballantyne
Assistant Executive Director, Swampy Cree Tribal Council

Financial Statements

For the year ended March 31, 2006

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- Statement of Financial Position
- Statement of Operations
- Statement of Changes in Net Assets
- Statement of Cash Flows
- Summary of Significant Accounting Policies
- Notes to Financial Statements

Auditors' Report

TO THE BOARD OF DIRECTORS OF TRAVEL MANITOBA

We have audited the statement of financial position of **Travel Manitoba** as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2006, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 28, 2006

Statement of Financial Position

As at March 31

Current Assets		
Cash (Note 2)	$	7,253
Short-term deposits (Note 2)		195,902
Due from the Province of Manitoba - Operating grant		624,700
Trade accounts receivable		322,479
Prepaid expenses		19,478
		1,169,812
Due from the Province of Manitoba (Note 3)		368,937
Capital assets (Note 4)		33,569
	$	1,572,318
Current Liabilities		
Accounts payable and accrued liabilities	$	912,606
Deferred revenue		164,765
		1,077,371
Severance pay benefits (Note 3)		287,563
		1,364,934
Net Assets (Page 28)		
Unrestricted		98,815
Restricted for acquisition of capital assets		75,000
Invested in capital assets		33,569
		207,384
	$	1,572,318

On behalf of the Board:

Director

Director

Statement of Operations

For the year ended March 31

Revenue		
Province of Manitoba	$	7,412,200
Partnership and leveraged marketing		499,652
Other		17,688
		7,929,540
Expenditures		
Marketing and product development		5,087,820
Visitor services		1,194,332
Information services and research		953,578
Corporate services		474,638
Amortization		11,788
		7,722,156
Excess of revenue over expenditures for the year (See below)		207,384

Statement of Changes in Net Assets

For the year ended March 31

	Unrestricted	Restricted for Capital Acquisition	Invested in Capital Assets	
Net Assets, beginning of year	$ -	$ -	$ -	$ -
Excess of revenue over expenditures for the year	219,172	-	(11,788)	207,384
Acquisition of capital assets	(45,357)	-	45,357	-
Interfund transfer	(75,000)	75,000	-	-
Net Assets, end of year (Page 27)	**$ 98,815**	**$ 75,000**	**$ 33,569**	**$ 207,384**

Statement of Cash Flows

For the year ended March 31		
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$	207,384
Adjustment for non-cash items		
Amortization		11,788
		219,172
Changes in non-cash working capital		
Due from the Province of Manitoba - Operating grant		(624,700)
Trade accounts receivable		(322,479)
Prepaid expenses		(19,478)
Accounts payable and accrued liabilities		912,606
Deferred revenue		164,765
		110,714
Due from Province of Manitoba		(368,937)
Severance pay liability		287,563
		(81,374)
		248,512
Cash Flows from Investing Activities		
Acquisition of capital assets		(45,357)
Net change in short-term deposits		(195,902)
		(241,259)
Net increase in cash and cash equivalents		7,253
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	$	7,253

Summary of Significant Accounting Policies

As at March 31, 2006

Basis of Reporting

The financial statements of the organization have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized on a declining balance basis at the following rates:

Furniture and equipment	**5% straight-line**
Computer hardware and software	**30% straight-line**

Amortization on current year additions is taken at the full years rate.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and leveraged marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The organization's financial instruments consist of cash, short-term deposits, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency, or credit risks arising from these financial instruments. It is management's opinion that the fair value of these financial instruments approximates their carrying value.

Restricted Fund for Acquisition of Capital Assets

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Notes to Financial Statements

As at March 31, 2006

1. NATURE OF ORGANIZATION

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to be the leader in stimulating innovative, sustainable tourism growth in Manitoba. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba and to sustain and create jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province of Manitoba.

2. CASH AND SHORT-TERM DEPOSITS

The organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

3. SEVERANCE PAY BENEFITS

Upon inception on April 1, 2005, the organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the organization, will be collected in the event there is a cash shortfall. However, this is only likely to occur on dissolution of the organization. Management is seeking clarification on interpretation with respect to timing of payment from the Province of Manitoba.

The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recorded in the period of the change.

An actuarial report was completed for the severance pay liability as of March 31, 2006. The report provides a formula to update the liability on an annual basis. The organization's actuarially determined net liability for accounting purposes as at March 31, 2006 was $287,563.

4. CAPITAL ASSETS

		Cost		Accumulated Amortization
Furniture and equipment	$	7,277	$	364
Computer hardware		3,240		972
Computer software		34,840		10,452
	$	45,357	$	11,788
Cost less accumulated amortization			$	33,569

Notes to Financial Statements

As at March 31, 2006

5. EMPLOYEE PENSION BENEFITS

Employees of Travel Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Travel Manitoba, through the Civil Service Superannuation Fund (CSSF).

Pursuant to the transition agreement with the Province of Manitoba, the organization has no pension liability for its employees prior to April 1, 2005. Commencing April 1, 2005, the organization is required to pay to CSSF an amount equal to its employees current pension contributions. The amount paid for 2006 was $97,386. Under this agreement, the organization has no further pension liability.

6. LEASE COMMITMENT

The organization has entered into a lease agreement expiring March 2009 for rental of facilities at various locations with total annual payments of $561,476. Leases for office equipment expiring in 2007 total $5,600 per year.

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